

**TOWN OF CLAYTON**  
**AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**TOWN OF CLAYTON  
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FOR THE YEAR ENDED JUNE 30, 2006**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Clayton  
414 W. Main Street  
Clayton, Delaware

We have performed the procedures enumerated below, which were agreed to by Town of Clayton and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2006 on Page 5. The Town of Clayton's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over municipal street aid grant funds from discussion with management and report internal control weaknesses.

**FINDING NO. 06-1** - During completion of the Municipal Street Aid program checklist, it was noted that an authorized signature was not obtained on one of the cancelled checks. The Town's policy is to have one authorized signature on every check. The failure to obtain the necessary approvals for disbursements is an internal control weakness that does not properly safeguard Municipal Street Aid funds. The Town should ensure that the proper signatures are obtained to reduce the risk of improper use of the funds.

**RECOMMENDATION** - The Town should obtain the appropriate authorization on all checks written for municipal street aid expenditures.

**TOWN'S PLAN FOR CORRECTIVE ACTION:** *The Town will have additional personnel ensure that every check written for municipal street aid expenditures is signed by the appropriate individuals.*

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2006. Detail any instances of noncompliance.

FINDING NO. 06-2 - During completion of the Town of Clayton's program checklist for the Municipal Street Aid grant, it was noted that their financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The beginning and ending balances on the annual report were each overstated by \$ 3,144.35. Failure to prepare accurate financial reports could result in the loss of grant funding.

RECOMMENDATION - The Town should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION: *The Town will more carefully prepare and review the annual report in the future.*

FINDING NO. 06-3 - During completion of the Town of Clayton's program checklist for the Municipal Street Aid grant, it was noted that the Town obtained bids for one Municipal Street Aid project. However, the public advertisement for bids was only published once by the Town, not once a week in two separate weeks as required by State regulations [29 Del. C. §6923(b) and 30 Del. C. §5165(b)(3)]. Failure to comply with applicable laws and regulations could result in the loss of grant funding.

RECOMMENDATION - The Town should implement controls to ensure compliance with the applicable laws and regulations regarding procurement with State of Delaware funds.

TOWN'S PLAN FOR CORRECTIVE ACTION: *The Town will make sure the advertisement is posted once a week in two separate weeks.*

FINDING NO. 06-4 - During completion of the Town of Clayton's program checklist for the Municipal Street Aid grant, it was noted that the Town paid two invoices more than 30 days after the receipt of the invoice, which is not in compliance with the State's regulations over disbursements [29 Del. C. §6516(d)]. No additional charges were incurred by the Town due to the late payment. The delinquent payment of invoices could expose the Town to unnecessary late payment charges.

RECOMMENDATION - The Town should ensure invoices are paid in a timely manner.

TOWN'S PLAN FOR CORRECTIVE ACTION: *The Town will ensure that all bills are paid in a timely manner.*

FINDING NO. 06-5 - During completion of the Town of Clayton's program checklist for the Police Pension grant, it was noted that the Town did not submit to the State Board of Pension Trustees by April 1, a listing of retired police officers receiving benefits from the Town as of December 31 of the preceding year, excluding those receiving benefits from the State of Delaware County and Municipal Police Pension Plan, as required by State regulations [18 Del. C. §709(b)]. The State Board of Pension Trustees has not requested this information from the Town or provided a format for the Town to submit this information to them. Failure to comply could result in the loss of grant funding.

RECOMMENDATION - The Town should provide mandated information regarding retired police officers receiving benefits to the State Board of Pension Trustees by April 1 of each year.

TOWN'S PLAN FOR CORRECTIVE ACTION:

*"The State Board of Pension Trustees did not request the information noted in the finding on the current year police pension grant application. The Town was unaware of the requirement to submit this information to the State Board of Pension Trustees. The Town will provide information requested by the State of Delaware."*

FINDING NO. 06-6 - During completion of the Town of Clayton's program checklist for the Police Pension grant, it was noted that the Registration for Police Pension Fund Benefits form was submitted timely to the Office of the State Treasurer, but the report was not accurately prepared or reviewed [18 Del. C. §709(a)]. The total number of paid, full-time, sworn officers employed by the Town was overstated by one officer for one month of the three months tested. Failure to prepare accurate reports could result in the loss of grant funding.

RECOMMENDATION - The Town should more carefully prepare and review the report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION: *The Town will more carefully prepare and review the report in the future*

FINDING NO. 06-7 - During completion of the Town of Clayton's program checklist for the State Aid to Local Law Enforcement (SALLE) and Emergency Illegal Drug Enforcement (EIDE), it was noted that one of the police officers on the Statement of Sworn Officers had not successfully completed a police training and education course at an approved school as required by Delaware Code [11 Del. C. §8405(a)]. The Town had included an officer trainee who was in the process of obtaining the required training. SALLE and EIDE grant funds awarded by the State are the sum of a minimum amount determined by the SALLE Committee and an amount based on the number of police officers. Therefore, the Town may have received funds in excess of those for which they were eligible.

RECOMMENDATION - The Town should determine the amount of any SALLE and EIDE funds received in excess of the amount eligible, due to reporting one extra police officer, and should return the excess funds to the State of Delaware.

TOWN'S PLAN FOR CORRECTIVE ACTION: *The Town has sent back the excess funds to the State of Delaware.*

FINDING NO. 06-8 - During completion of the Town of Clayton's program checklist for the State Aid to Local Law Enforcement (SALLE), it was noted that \$ 349.67 expended was ineligible under the grant, due to exceeding the authorized amount. Grant regulations require funds to be expended only for the purposes and activities outlined in the application (SALLE Manual, Chapter III, 6). The error occurred due to employee oversight when reimbursing the general fund from SALLE funds.

RECOMMENDATION - The Town should reimburse the SALLE account \$ 349.67 for the ineligible expenditure.

TOWN'S PLAN FOR CORRECTIVE ACTION: *The Town will reimburse the SALLE account \$349.67.*

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts or gross violations of grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2006.

See Page 5.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Clayton's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Georgetown, Delaware  
November 20, 2006

**TOWN OF CLAYTON  
SCHEDULE OF MUNICIPAL GRANTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 33,108.15
Police Pension	22,961.11
State Aid to Local Law Enforcement	5,450.33
Emergency Illegal Drug Enforcement	4,272.47

See independent accountant's report on applying agreed-upon procedures.